BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2004-55-E - ORDER NO. 2004-367(A)

OCTOBER 8, 2004

IN RE: Petition of Progress Energy Carolinas, Inc. to Defer and Amortize Storm Damage Expenses.	))))	AMENDED ORDER APPROVING PETITION TO AMORTIZE STORM DAMAGE EXPENSES

This matter comes before the Public Service Commission of South Carolina ("Commission") on the request of Progress Energy Carolinas, Inc. ("PEC" or the "Company") for an accounting Order allowing the Company to defer and amortize certain storm damage expenses incurred by PEC to restore and/or replace property damaged or destroyed by the ice storm experienced in January of 2004.

During an ice storm in January 2004, PEC suffered significant damage to its facilities in South Carolina. PEC petitioned the Commission to approve the deferral and amortization of certain of these storm related Operating and Maintenance ("O&M") costs over the period January 1, 2005, to December 31, 2009. PEC estimates the cost of repairing and restoring its system following this storm to be approximately $16.5 million. PEC will charge the total cost of repair and restoration to O&M expenses and to capital expenditures based on an analysis of the storm cost data. PEC estimates the incremental O&M expenses incurred to be $13.9 million. PEC has proposed in its Petition that this amount be deferred on its balance sheet and amortized over a five year period beginning January 1, 2005.

PEC further proposed that the amortization be recorded by the Company in Account No. 407.3, titled "Amortization of Regulatory Debits." Such amounts will be reflected in all financial statements, quarterly surveillance reports, and other accounting reports filed with the Commission. The capital expenditures will be depreciated under normal accounting procedures. PEC will submit to the Commission, when finalized, the actual storm damage expenses to be deferred and amortized. This amortization of deferred storm damage expenses will be accomplished through existing customer rates, and PEC has pledged that it will not seek to increase electricity rates due to these increased expenses.

Based upon the facts set forth in PEC's Petition and upon consideration of the applicable statutes and regulations, the Commission makes the following findings and conclusions:

FINDINGS OF FACT

1. PEC proposes that it be allowed to defer and amortize certain storm damage expenses incurred by PEC to restore and/or replace property damaged or destroyed by the ice storm experienced in South Carolina in January, 2004.

2. We find that the period of the amortization is to commence on January 1, 2005, and end on December 31, 2009.

3. Although PEC is still in the process of finalizing the total costs to repair and restore its system following this storm, we find that the total estimated costs are

$16.5 million and that these costs will be charged to O&M expenses and to capital expenditures based on an analysis of the storm cost data. Incremental O&M costs are estimated by PEC to total $13.9 million. PEC will submit to the Commission the actual storm damage expenses to be deferred and amortized when such amounts are finalized.

4. We find that permitting the requested amortization over a five year period commencing on January 1, 2005, and to be recorded in deferred Account No. 407.3, is in the best interest of the Company and its ratepayers as in so doing the Company will mitigate the need to seek an increase in its electricity rates due to these increased expenses.

CONCLUSIONS OF LAW

1. We conclude that S.C. Code Ann. Section 58-27-1540 (1976), which requires that the Commission "establish a system of accounts to be kept by electrical utilities subject to its jurisdiction and it may require the manner in which the accounts shall be kept," provides this Commission with the authority to approve the accounting treatment requested by the Company in this matter.

2. We further conclude that the approval of the requested accounting treatment is in keeping with Condition No. 34 contained in Commission Order No. 2000-229 in Docket No. 1999-434-E/C which allows PEC to request a deferred account for major expenditures to restore or replace property damaged or destroyed by *force majeure*.

3. The Commission concludes that approval of the requested accounting treatment does not require a determination of PEC's entire rate structure and overall rate of return.

4. While the Commission concludes that the accounting treatment requested by PEC should be approved as requested, the Commission further concludes that approval of the requested accounting treatment is not precedential and that approval of the accounting treatment herein does not prejudice or prevent a party from challenging or contesting either the amounts involved or the accounting treatment in any rate-making or earnings-related proceeding.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. PEC's Petition to defer and amortize storm damage expenses related to the ice storm of January, 2004 is approved.

2. PEC will submit to the Commission the actual storm damage expenses when such are determined.

3. The accounting treatment approved herein shall not be considered precedent, and Commission approval herein granted shall not prejudice the right of any party to challenge or contest either the amounts involved herein or this accounting treatment in any rate-making or other earnings-related proceeding.

4 This Order shall be effective upon the date of issuance.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice Chairman

(SEAL)